STATE OF WASHINGTON

DEPARTMENT OF SOCIAL AND HEALTH SERVICES

Olympia, Washington 98504-5000

REPORT TO THE LEGISLATURE

DIVISION OF DEVELOPMENTAL DISABILITIES

WAGE INCREASES FOR RESIDENTIAL PROGRAMS

Chapter 7, Laws of 2001, E2, Section 205(1)(g)

Department of Social and Health Services
Health and Rehabilitative Services Administration
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BACKGROUND

Section 205(1)(g) of the Omnibus Operating Budget (Chapter 7, Laws of 2001, E2) directs the Division of Developmental Disabilities (DDD) that:

> "…appropriations are provided solely to increase compensation by an average of fifty cents per hour for low-wage workers providing state-funded services to persons with developmental disabilities. These funds, along with funding provided for vendor rate increases, are sufficient to raise wages an average of fifty cents and cover the employer share of unemployment and social security taxes on the amount of the wage increase. In consultation with the statewide associations representing such agencies, the department shall establish a mechanism for testing the extent to which funds have been used for this purpose, and report the results to the fiscal committees of the legislature by February 1, 2002."

DIVISION IMPLEMENTATION

On July 1, 2001, the division increased the "benchmark" rate for all residential program agencies (Tenant Support, Supported Living, Agency Alternative Living and Group Homes) by $.55 per hour ($.50 for wages + $.05 for the associated payroll tax cost). The non-wage portion of the benchmark (benefits and payroll taxes) was also adjusted for the 2.1 percent vendor rate increase. Agencies were sent a letter in July, 2001 explaining how the rate increase was determined and informing them of the legislative intent to raise low wage earner wages by $.50 per hour. In addition, the division meets quarterly with the Community Residential Services Association, which represents the agency providers. The legislative proviso was discussed at that time.

DATA AND REPORTING METHODOLOGY

The Division of Developmental Disabilities has a mechanism in place to ensure that Residential Program agencies comply with legislative intent and division policy regarding wages paid to direct service employees.

Residential agencies are required to complete a cost report each year that allows comparison of the number of direct service hours provided and the amount of payroll cost paid to the number of service hours and corresponding payroll cost per hour (benchmark rate) provided for in their contracts. If an agency has not provided all of the direct service hours or paid all of the dollars for direct service worker compensation as provided for in their contract, the agency must return the unused amount to the division.

Cost reports are due to be submitted for the calendar year 2001 by March 15, 2002. At that time, the division will be able to confirm that agencies used the funds provided for employee compensation.

In addition to the methodology described above, the division has conducted residential programs staffing surveys in October of 2000 and October of 2001. These surveys ask, among other questions, the starting and mid-range wage for direct care employees. The division has received responses back from more than 80 percent of the approximately 140 agencies for both surveys. The results of these surveys show that the average actual wage increase from the October, 2000 survey to the October, 2001 survey for direct care employees was $.40 per hour. Information from individual agencies indicates that in most cases, low wage employees did receive an additional $.50 per hour. In agencies where the wages were not increased by the full $.50, the usual reason was that additional benefits costs (health insurance, retirement plans, etc.) did not leave adequate funds for the full wage increase.

It should also be noted that it is the practice of several agencies to pay year-end bonuses to employees. This has the effect of raising the hourly wage beyond what is reported in the wage surveys.

CONCLUSION

The cost reporting system in place for DDD programs ensures that all funds appropriated for direct care employee compensation are used for that purpose. If they are not, the providers are required to return the funds. The October 2002 survey will confirm adherence to the legislative mandate.